Are the Charges Against Chain Stores True or False?

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INSTITUTE OF DISTRIBUTION, INC.
Founded and Maintained by National Distributors
570 Seventh Avenue
New York City

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I.

IS IT
TRUE OR FALSE?

"Chain Stores are the products of a few monopolistic money masters of Manhattan."

- o -

ANSWER: False! A survey of 138 representative chain store companies, of all types, in all fields, operating about 33,000 stores, coast-to-coast, with sales of about 3½ billion dollars that was jointly conducted by the five associations serving chain stores and was certified by Peat, Marwick, Mitchell & Co., found that reporting companies had over 50,000,000 shares of common stock outstanding, 22% of which is held by company officers and employees, 64% by people in all walks of life and only about 14% by bankers, insurance companies, etc.

Of 3,075,018 shares of outstanding preferred stock, about 25% is held by company officers and employees, 65% by people, coast-to-coast, in all walks of life and only about 10% by bankers, insurance companies, etc.

These companies have 360,948 stockholders; 314,822 hold common stock; 46,126 own preferred stock. These shareholders reside in widely scattered communities throughout America. There are 24 common stockholders per 10,000 population; there are about 4 preferred stockholders per 10,000 population.

The 10 largest holders of common stock and the 10 largest holders of preferred stock in reporting companies live in 237 cities in 42 different states. Since stockholders received in dividends over 80% of the comparatively slim net profits of reporting companies, it is manifest that the laborers, widows, bookkeepers, etc. from the Atlantic Ocean to the Pacific, who as principal stockholders of reporting companies really own them, received the bulk of company earnings.

Sixty-seven per cent of the Board members of reporting companies, furthermore, are active company officers or employees; only 7% are bankers, brokers or investment underwriters; the balance are people in all walks of life.

Moreover, these directors of reporting companies are from all parts of the country; no one city, not even any one section of the country can claim them, as is shown below:

	% OF DIRECTORS RESIDING IN EACH GEOGRAPHIC SECTION
New England States	8.02%
Middle Atlantic States	38.77%
East North Central States	25.43%
West North Central States	10.37%
South Atlantic States	6.16%
East South Central States	1.49%
West South Central States	4.07%
Mountain States	0.87%
Pacific States	4.82%
Total	100.00%

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In 82% of surveyed companies, 100% of their Board members reside in states in which companies operate. More than 85% of reporting company directors live outside New York City.

For further data, write the Institute of Distribution, Inc.

II.

IS IT
TRUE OR FALSE?

"The cost of food is higher in chain controlled towns and communities."

- o -

ANSWER: Not true! In the United States, there are 965 different food chains, and in no section of the country is any single food chain without the most active competition both from other local, sectional or national chain store companies operating food stores or from efficient, individually-owned grocery establishments. Lower retail prices are inevitable in the face of such aggressive competition.

Moreover, in the 14 largest cities of the country for which separate figures are published in the United States Census of Business for 1935, it is shown that, in some of these cities, the combined sales of the competing chain food stores are greater in these cities than the combined sales of competing food stores. If their sales are greatest, doesn't it naturally follow that chain grocery stores are receiving the greatest consumer patronage? And remember that the consuming public trades most where it can get the best products conveniently, at the least cost.

The United States Census of Business also found that, in the cities in which chain food stores have been obtaining the largest share of local business, the number of independent food stores has been increasing since 1929 and the number of chain food stores decreasing.

It seems fair to conclude, therefore, that no efficiently-operated, individually-owned store that has adopted sound, modern operating methods and policies and which now, accordingly, offers the same extensive values, services and conveniences to the public as are offered by chain stores, need ever fear active competition from chain stores or anyone else. By stimulating greater efficiency and better organization among its competitors, thereby generating lower retail prices, better service and increased consumer conveniences throughout local trade areas, isn't the chain store performing still another significant service to public benefit?

And, finally, here is authoritative testimony from the University of Denver that explodes the myth of higher food costs in chain controlled towns:

Number of items compared	Names of towns without chain food stores	Average cost of bill of goods in independent stores in towns without chains	Names of towns with chain food stores	Average cost of bill of goods in independent stores in towns with chains	Per cent by which total cost is lower in towns with chains
17	Akron	\$2.40	Yuma	\$2.32½	3.1%
17	Springfield	3.36	Holly	3.26	3.0%
21	Oak Creek	3.08	Steamboat Springs	3.02½	1.8%
18	Saguache	2.48	Monte Vista	2.30¼	7.2%
20	Haxton	2.69½	Holyoke	2.68	0.6%
Average					3.1%

For further data, write the Institute of Distribution, Inc.

IV.

IS IT TRUE OR FALSE?

"The cost of food is higher in chain controlled towns and communities."

— o —

ANSWER: Not true! In the United States, there are 868 different food chains, and in no section of the country is any single food chain without the most active competition both from other local, sectional, or national chain store companies operating food stores or from efficient, individually-owned grocery establishments. Lower retail prices are inevitable in the face of such aggressive competition.

Moreover, in the 14 largest cities of the country for which separate figures are published in the United States Census of Business for 1935, it is shown that, in none of these cities, the combined sales of the competing chain food stores are greater in these cities than the combined sales of competing food stores. If their sales are greatest, doesn't it naturally follow that chain grocery stores are receiving the greatest consumer patronage? And remember that the consuming public trades most where it can get the best products consistently, at the least cost.

The United States Census of Business also found that, in the cities in which chain food stores have been obtaining the largest share of local business, the number of independent food stores has been increasing since 1929 and the number of chain food stores decreasing.

It seems fair to conclude, therefore, that the efficient, progressive, individually-owned store that has adopted modern, modern operating methods and policies and which now, accordingly, offers the same attractive values, services and conveniences to the public as are offered by chain stores, need have less active competition from chain stores or anyone else. By attracting greater efficiency and better merchandising among its competitors, thereby lowering the local retail prices, better service and increased economic opportunities throughout local trade areas, isn't the chain store performing still another significant service in public benefit?

And, finally, here is authoritative testimony from the University of [illegible] that explodes the myth of higher food costs in chain controlled towns:

Number of items compared	Names of towns without chain food stores	Average cost of bill of goods in the independent stores in towns without chains	Names of towns with chain food stores	Average cost of bill of goods in independent stores in towns with chains	Per cent by which total cost is lower in towns with chains
17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	[illegible] Creek	[illegible]	[illegible]	[illegible]	[illegible]
18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average					[illegible]

For further data, write the Institute of Distribution, Inc.

III.

IS IT
TRUE OR FALSE?

"They do not contribute to local relief, local schools, churches or charities, except a miserly sum - entirely out of proportion to their business - in an effort to buy good will."

- o -

ANSWER: This is false! The support of local relief, local schools and local charities is, in most cases, mainly dependent upon local tax collections. If chain stores do not bear their full, fair share of local taxes, therefore, they are depriving local relief, local schools and local charities of vital revenue. Let's examine the facts!

Every investigation that has been made of taxes paid by chain stores shows them to average higher than taxes paid by other types of stores.

The recent publication of the National Cash Register Company entitled, "Expenses, Margins, Net Profits And Stock Turns In Retail And Wholesale Businesses", summarizes authoritative surveys in connection with the usual expenditures for taxes by various types of individually-owned stores. Here are conclusions:

TAXES PAID BY INDIVIDUALLY-OWNED STORES

Type	% of Sales
Auto, Tire & Accessories	0.3%
Builders Supplies	1.45%
Department Stores	0.3 to 0.9%
Drug Stores	0.2 to 0.9%
Grocery Stores (Taxes and Insurance Combined)	0.4 to 0.7%
Hardware Stores	0.68 to 1.41%
Jewelry Stores	1.2%
Men's Apparel	0.66 to 1.75%
Shoe Stores	0.7 to 0.9%
Women's Specialty Shops	0.25 to 0.45%
Filling Stations	0.67%

Keeping the foregoing in mind, let's now refer to the Federal, state and local tax findings of the extensive recent survey, certified on January 9, 1939 by Peat, Marwick, Mitchell & Co., in which 138 representative chain store companies, of all types, with over 33,000 stores, coast to coast, and over 3½ billion dollars in sales participated.

While Federal, state and local taxes in most types of individually-owned stores average, as we have seen, less than 1% of sales, the taxes paid by reporting chain store companies averaged 2.94% of sales and ranged from 1.79% for reporting chain food companies to 3.27% for reporting chain drug store companies and 3.54% for reporting companies operating other types of chain stores.

Taxes paid by reporting chain store companies amounted to the substantial figure of $3,108 per store and to $215 per employee. And that's not all!

The donations to organized welfare groups by reporting chain store companies averaged almost $60 per store for the year surveyed. In addition, reporting

companies expended generously for memberships in local civic organizations, thereby raising the total of their payments for these two civic service and welfare purposes to the impressive average of $90 per store, per year.

Moreover, the Federal Trade Commission in its million dollar, six year chain store inquiry (reference source: "The Chain Store in the Small Town", Senate Document No. 93, 73rd Congress, 2nd Session, p. 63) found that 82% of the 153 reporting chain store companies donated to local welfare enterprises and that their contributions averaged $77 per store, per year. In over 87% of reporting chain store companies, additional contributions were made, personally, by chain store managers averaging $50 per store, per year.

And even that's not all! Let's now take a few specific cases:

Houston chain stores, for example, recently demonstrated their interest in the city's welfare by completing their own Community Chest drive and reporting 100% chain store participation, a day before the regular city-wide Community Chest drive began. They presented subscriptions to the Houston Community Chest Fund totalling $13,864.74 which represented an increase of 82.4% over chain store subscriptions in 1937. And in Springfield (Ohio), 48 chain store companies appear on the city's Community Chest Honor Roll.

In Galveston, well in advance of deadline, 11 chain stores recently contributed $1,184.30 to the Galveston Community Chest that supports the activities of 16 member Galveston Social Welfare agencies. In Port Arthur, the chain store Community Chest quota was $2,541; they contributed almost $3,000. The Dallas Community Chest, in the meantime, received $8,012 from chain stores - a sum which was well over the chain store quota.

In Beaumont, chain stores appeared prominently on the Community Chest Honor Roll. First to reach 100% enrollment in the Brownwood Red Cross drive were chain stores and their contributions comprised half of the money raised. In El Paso, of all other Community Chest divisions, chain stores, with 100% participation were the first to meet their quota.

These are but a few examples among a multitude that demonstrate the desire of chain stores both to bear their civic responsibilities and fully to donate to worthy local welfare enterprises.

In conclusion on this charge, it is interesting to note that 12,396 employees of 78 reporting companies in the recent 138 company survey that was certified by Peat, Marwick, Mitchell & Company, are officers, committee chairmen or other important leaders in local Chambers of Commerce, Service Clubs and other community welfare and service activities. 279 of these are mayors or other officers of municipalities. This 12,396 figure does not, naturally, include the multitude of other chain store employees who are merely members in good standing of such local organizations.

For further data, write the Institute of Distribution, Inc.

IV.

IS IT
TRUE OR FALSE?

"They break down local rent schedules by destroying the independent merchants."

- o -

ANSWER: Untrue! Here, for instance, is what the Federal Trade Commission found in studying the rent schedules of chain stores and of their competitors in 33 widely scattered communities of from 1700 to 5100 population. (Reference source: "The Chain Store in the Small Town", Senate Document No. 93, 73rd Congress, 2nd Session, p. 49 f.)

Type of Business	Average Monthly Rent	
	Chain	Independent
Food Stores	$ 97.56	$ 61.45
Variety Stores	173.54	76.50
Dry Goods and Apparel	220.02	130.88

This myth is further blasted by leading associations of property owners. The Chicago (Illinois) Real Estate Board, at its annual meeting on November 2, 1938, resolved, for example, that:

"The elimination of national chain stores will destroy real estate values and income for a multitude of local property owners; bring economic chaos to all American trade, commerce and industry; increase unemployment, thereby disrupting the great good performed by this system of retail distribution in the United States; and substantially result in the disorganization of thriving retail areas throughout the United States."

Furthermore, the National Association of Real Estate Boards, in annual convention in Milwaukee, Wisconsin, on November 12, 1938, resolved that:

"The enactment of Federal legislation of the kind contemplated by the proposed Patman act is not in the public interest and would, if enacted, be harmful to normal development of our economic and community life. ***

"It would entail a widespread disorganization of commercial property use and a consequent dislocation of real estate values in the business centers and subcenters of every American city, involving for municipal governments a direct loss of taxable values and adversely affecting business recovery."

And the Detroit (Michigan) Real Estate Board resolved, on November 22, 1938, that:

"Skilled management of chain store organizations has tended to improve the character of retail districts, to stabilize land values and thus has contributed directly to the stability of real estate and local governmental revenue.

> "Disruption of this method of merchandising would occur if legislation of the character proposed were enacted by Congress and would entail *** a dislocation of real estate values."

And among a flood of similar pro-chain resolutions by the nation's leading national, state and local associations of property owners, the <u>National Association of Building Owners and Managers</u>, in December, 1938, resolved that:

> "The economies effected by the system of national chain stores' distribution have immeasurably raised the standard of living and increased the purchasing power of the rank and file in America, and through permanency of occupancy and use have stabilized real estate values, thereby assuring many thousands of local property owners of reliable, well-paying, prompt remitting tenants and well maintained properties, modern installations, etc. throughout occupancy. ***
>
> "The National Association of Building Owners and Managers go on record as opposing the confiscatory Patman proposal and any and all other types of punitive anti-chain store legislation."

For further data, write the Institute of Distribution, Inc.

V.

IS IT
TRUE OR FALSE?

"They compel our boys and girls to work for absentee owners for long hours at starvation wages."

- o -

ANSWER: False, as shown by the following table of the average annual earnings of full-time store employees by the U. S. Census of American Business:

Kinds of Business	Individual Retailers	Chain Stores	% By Which Chain Store Wages Exceed Individual Store Wages
Automobile Dealers	$1,024	$1,338	30.7%
Cigar Stores	858	920	7.2%
Department Stores	1,000	995	-0.5%
Drug Stores	972	1,024	5.3%
Family Clothing Stores	1,127	1,197	6.2%
Filling Stations	838	1,130	34.8%
Furniture Stores	1,200	1,357	13.1%
Grocery & Meat Stores	899	1,195	32.9%
Grocery Stores	813	1,191	46.5%
Hardware Stores	1,059	1,216	14.8%
Household Appliances	1,136	900	-20.8%
Jewelry Stores	1,379	1,340	- 2.8%
Men's Clothing and Furnishings	1,261	1,394	10.5%
Radio Stores	1,095	1,278	16.7%
Restaurants	649	758	16.8%
Shoe Stores	1,172	1,255	7.1%
Variety Stores	665	766	15.2%
Women's Apparel Stores	998	988	- 1.0%
Average for 18 Kinds of Stores	$ 947	$1,079	13.9%

When the National Industrial Recovery Act was enacted into law in 1933 and required the raising of wages and the lowering of working hours to a standard industry schedule, chain stores were among the first to comply. That schedule of retail working hours still, voluntarily, continues in chain stores even though the law was invalidated four years ago.

Moreover, state laws fixing maximum working hours for females (which comprise the bulk of the employees in chain variety stores, department stores, etc.) are now effective in 40 states and, by law, restrict the working hours of female personnel in all mercantile establishments, chain or independent. The Federal Wage and Hour Law, furthermore, restricts the working hours of chain office employees, warehousemen, etc. to 44 hours per week. Minimum wage laws are now effective in 27 states.

Chain Stores are not only living well within the provisions of all Federal, state and local maximum hour and minimum wage laws but, as a matter of good business policy, are leading the way, all the way, in maintaining fair labor standards.

A dissatisfied employee and his job are soon parted. And in chain stores, a survey of the length of service of 340,263 employees in 96 representative chain store companies reveals the following noteworthy facts:

Employed over 25 years	1,918	.56%
Employed 10 to 25 years	41,717	12.26%
Employed 5 to 10 years	66,985	19.69%
Employed 2 to 5 years	119,991	35.26%
Employed under 2 years	109,652	32.23%
TOTAL	340,263	100.00%

Finally, in a recent study of 138 chain store companies, employing 406,266 local residents as store employees, or an average of over 12 employees per store, 69 reporting companies were found to maintain profit-sharing plans; 89 maintain employee group insurance; 63 have programs underwriting sick benefits; 112 have other well-established employee benefits. Not one reporting company was found in which provisions do not exist for assisting employees during illness and disability. Not one reporting company has reduced wage rates, regardless of comparative business quiet, since January 1, 1937; the wage trend in chain stores continues upward as working hours have, generally, either decreased or at least remained at NRA level.

For further data, write the Institute of Distribution, Inc.

VI.

IS IT
TRUE OR FALSE?

"They crush out labor, as
monopoly invariably does."

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ANSWER: Not true! Chain stores, in the first place, are not a monopoly. They saw their greatest growth from 1920 to 1929. They reached their peak by doing 25% of the retail trade in 1933. Today they do only about 23% of the retail trade. Is there monopoly in this?

In the second place, chain stores must have high-grade, well-satisfied personnel to operate profitably to public benefit. Sound, high-grade personnel relationship is, therefore, recognized in chain store companies as one of the most important essentials to successful company operation.

Accordingly, the standard of living of chain store employees is high. This fact is substantiated by the following results of an impartial survey recently made of the 4414 employees of 19 representative, typical chain store companies:

Have home telephone	45.3%
Own automobiles	54.3%
Own radios	78.3%
Have savings accounts	58.2%
Carry personal life insurance	80.4%
Members of fraternal organizations ..	37.2%

It is interesting to note that one-third of the employees of reporting companies in a recent survey of 138 representative chain store companies have been with the same company over 5 years, 35% from 2 to 5 years; the balance, composed substantially of young salesladies to whom business life is temporary, have been with the same company less than 2 years.

The position of store manager of a chain store company is comparable, both in income and in responsibility, to that of manager or owner of an independently-owned store of a similar size and type. And of the store managers of reporting companies in the aforementioned 138 company survey who earn more than $5,000 a year, each, 79% earned from $5,000 to $10,000; 15% from $10,000 to $15,000; the balance earned over $15,000. This is a clear demonstration of opportunities for interesting and profitable local employment in chain store companies.

Above the store managerships, in chain store companies, come various grades of executive positions all of which, with rare exceptions, are filled from below.

Consequently, the chances for advancement in a successful chain store company are limited only by the ability of employees to take advantage of them. This is demonstrated by the fact that practically every major chain store company official today has "worked up from the ranks".

The presidents of 69 reporting companies in the 138 company survey previously described, for instance, rose from the store ranks; 217 other top officers, such as, vice presidents, treasurers, etc. did likewise; 1645 other senior executives, such as merchandise managers, advertising managers, etc. also started at the bottom.

For further data, write the Institute of Distribution, Inc.

VII.

IS IT
TRUE OR FALSE?

"They are draining capital
from local towns."

- o -

ANSWER: This is false! Before the chain stores came, increasing numbers of people in the smaller towns of the U. S. were driving to nearby large cities to buy clothing, drugs, hardware, and even groceries, because they couldn't get the variety and values they wanted in their home towns.

When they went to the nearby cities to buy, they took money out of their home town. Lots of it! Because they spent money on other things, too, while in the city -- movies, beauty parlors, dentists, restaurants, candy, and so on. Hundreds of thousands of other town and farm folks bought by mail instead of in their home towns -- before the chain stores came.

The coming of the chain stores changed that.

They brightened up Main Street, offered constant supplies of fresh, new merchandise in wide variety, and made shopping on Main Street more interesting and exciting -- and more economical!

More, they stimulated their competitors to self-improvement. Today, therefore, all local stores are brighter, cleaner, better arranged, more convenient, more sanitary, with fresher and better stocks. They sell more dependable merchandise and carry a better selection. The new styles and novelties are brought to Main Street almost as soon as they are seen on Fifth Avenue.

The chain stores have done that! The chain stores did more than keep money in town. In making these modern changes, the chain stores also brought money into town. But even that isn't all.

The young men and women in these towns of America are getting better pay and better hours working in chain stores. Chain stores have made jobs. The young people therefore aren't so quick to leave home for "the big city". There's more opportunity, greater security, and steadier jobs for them in the old home town since chain stores came.

Moreover, were the local bank balances of chain store companies ever compared with those maintained by other kinds of merchants of comparable size and type, a top heavy preponderance would undoubtedly be found in favor of the chain stores. Let's consider evidence!

A survey of 138 chain store companies operating throughout the United States showed, for example, that reporting companies had 19,085 local bank accounts to safeguard more than $58,000,000 in local deposits. This is an average of over $3,000 balance in each one of these local bank accounts.

In addition, these reporting chain store companies had 821 other bank accounts in which the amount of money on hand totalled over $96,000,000, or an average for each account of over $115,000 each.

Nor are all of these other bank accounts, which are supplementary to the substantial balances maintained in local bank accounts, concentrated in New York City or in any other financial center. How can they be with the headquarters of chain store companies located not just in one city or in any restricted section of America but throughout the United States?

The following tabulation presents the geographic distribution of these additional bank accounts and the amount of money banked in each geographic location:

	No. Central Bank Accounts	Aggregate Bank Balance of These Accounts
New England States	26	$ 3,841,697
Middle Atlantic States	274	55,503,847
East North Central States	150	19,850,940
West North Central States	83	5,424,692
South Atlantic States	56	1,851,473
East South Central States	35	875,827
West South Central States	55	1,091,146
Mountain States	40	1,193,135
Pacific States	102	6,421,678
	821	$96,054,435

Chain store companies, furthermore, have made substantial local investments in real estate for stores, headquarters and warehouses. The total of these investments, for a representative group of 138 chain store companies aggregated at the end of 1937, more than $325,000,000.

Nor are these local investments concentrated in any one section of the country. They are spread coast-to-coast, as shown below:

	Total Value Stores Owned	Total Value Other Properties Owned	Total
New England States	$ 20,154,833	$ 5,751,018	$ 25,905,851
Middle Atlantic States	72,393,642	10,572,012	82,965,654
East North Central States	64,602,738	14,986,848	79,589,586
West North Central States	25,755,615	2,836,633	28,592,248
South Atlantic States	32,517,362	4,928,372	37,445,734
East South Central States	12,080,629	611,994	12,692,623
West South Central States	17,950,654	1,454,806	19,405,460
Mountain States	6,681,057	1,378,288	8,059,345
Pacific States	26,511,928	5,392,186	31,904,114
TOTAL	$278,648,458	$47,912,157	$326,560,615

And as last word on this subject of "draining local capital", here is a significant excerpt from a statement recently made by a leading national consumers organization:

> "The chain store spends a greater part of its gross profits in the local community in the form of wages and rent, taxes and other expense. The savings it permits on food expenditures adds to rather than deducts from the prosperity of local communities.
>
> "Basically, moreover, this point of view is indefensible as a principle of economic organization. Were this principle generally applied, it would mean the abolition of all inter-city, inter-state and inter-regional commerce. It would mean the destruction of such large mass production organizations as

General Motors, General Electric, United States Steel Corporation and others. Scarcely anyone, in his senses, objects to the purchase of a Chevrolet motor car on the grounds that General Motors drains profits from the local community. Mass production, because of its efficiency and economies, adds to the wealth of the community at large. Mass distribution, capable of similar efficiency and economies, has a similar result."

For further data, write the Institute of Distribution, Inc.

VIII.

IS IT
TRUE OR FALSE?

"They destroy the independence and self-reliance that have built this nation."

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ANSWER: Untrue! Instead of destroying the independence and self-reliance that have built this nation, chain stores actually represent inspiring examples of independence and self-reliance for without exception all chain store companies had one store beginnings. To satisfy consumer insistence elsewhere for that mother store's services, values and conveniences, the owner had to open a second store, then a third and so on, until a chain resulted. That's how all chains began and how they grew to their present stature.

Of 138 representative chain store companies recently surveyed by the five national associations serving chain stores, 116 of them, operating nearly 28,000 units, reported 31 different states and 94 different communities as their birthplaces. These communities ranged from crossroad hamlets to metropolitan centers.

The wide diversity in the birthplaces of chain store companies is paralleled by an equal diversity in the number of years that they have been in business. Here are the facts insofar as 119 reporting companies are concerned:

Age Group	% of Total	No. of Companies
Over 50 years	7.6%	9
From 40 to 50 years	9.2%	11
From 25 to 40 years	30.2%	36
From 10 to 25 years	43.0%	51
From 5 to 10 years	9.2%	11
From 2 to 5 years	0.8%	1
TOTAL	100.0%	119

Thus, chain store companies are merely representative of the growth of successful, individually-owned stores.

Destruction of the independence and self-reliance that have built this nation results, surely, when artificial restrictions are placed on the growth and progress of efficient, individual retail enterprises through the avenue of discriminatory, punitive, tax levies on the operation of two, three, four or more units under central ownership, management, or ultimate capital control.

Wherever such discriminatory tax laws exist, an efficient merchant is restricted from the privilege of expanding to a second store or to a third store, to public benefit, unless he is willing, at the same time, to assume the discouraging burden that is imposed by such punitive tax statutes.

This charge namely, that chain stores destroy "independence and self-reliance that have built this nation", and others like it, untrue though they are, serve as effective legislative expedients to certain type of wholesalers and retailers who are striving to have profits legislated back to them through crippling, discriminatory chain store taxation.

These organizations - minority groups at best - seek to identify the use of government favoritism to benefit themselves as a service in a higher cause. Their appeal runs the gamut of traditional American idealism. They assert that their methods of doing business and their economic interests constitute the "American System". They appeal for public support on the grounds of local patriotism, on prejudices against "outsiders" and on loyalty to such slogans as "free enterprise" and "equal opportunity".

And here we are reminded of the following observation recently made by a leading consumers' organization:

> "No one would question that independent retailers are American and have a right to whatever position their efficient performance can bring them in the American scheme of things, but it should also be said that the system of independent retailing as a method of distribution has no monopoly on what is American. In fact, if one were to single out the distinguishing features of the American economy, one would point to the development of mass production and of mass distribution. General Motors or Henry Ford are as much a part of the American System as any independent retailer.
>
> "To use governmental favoritism and coercion as a method of trade competition against more efficient competitors is clearly not in accordance with American tradition."

In the meantime, efficient, truly self-reliant retailers are now increasingly affiliating with cooperative buying, advertising and merchandise groups which are developing by leaps and bounds throughout the United States. Accordingly, fully a third of America's retail food business is now being done by efficient independent grocers who are not only obtaining the benefits of mass purchasing power via the cooperative buying groups with which they have affiliated themselves, but who, likewise, have modernized their stores, adopted the most scientific merchandising methods known and who, accordingly, are successfully competing with chain stores.

In St. Louis, for example, as against 484 corporate chain grocery stores there are 1612, or 3 times as many, independently-owned grocery stores which are affiliated with cooperative buying and advertising groups. While chain grocery stores do 28.3% of the St. Louis food business, these 1612 obtained a large part of the 71.7% of St. Louis grocery trade that was done by individually owned grocery stores.

For further data, write the Institute of Distribution, Inc.

	If RUSH Indicate date wanted ______ Write PLAINLY
	Author ✓ Institute of Distribution, inc. (Surname first)
	Title Are Charges Against Chain Stores True or False?
Date Ordered 1939	1059094
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IX.

IS IT
TRUE OR FALSE?

"They do not create; they take away what others have created."

- o -

ANSWER: False! Many storekeeping methods that are now universally accepted and used by stores of all types, large and small, chain and independent, had their origin in chain stores. Among many more are the following few:

1. Open display of merchandise, thereby stimulating quick retail sales and large purchases from local sources of supply, thereby stimulating employment; thus keeping the nation's factories busy 52 weeks a year; and increasing purchases of the nation's raw materials, etc.

2. Cooperation with manufacturers and producers in the development of new articles. (Making available to the nation's "masses", at prices within their means, what formerly were the luxuries of the nation's "few".)

3. Cost control methods.

4. Year-round sale of fresh fruits and vegetables.

5. Cooperation with farmers and producers in the profitable marketing of crop surpluses thereby increasing the earning and spending power of the nation's farmers and producers and stimulating national prosperity.

6. Chain store competition is responsible for the development of cooperative buying groups and "so-called" voluntary chains to match chain store mass buying and selling methods. As previously stated, fully a third of America's retail food business is now being done by independent grocers who are not only obtaining the benefits of mass purchasing power via the cooperative buying groups with which they have affiliated themselves, but who, likewise, have adopted the most scientific merchandising methods known and who, accordingly, are successfully competing with chain stores.

7. Store modernization. Construction expenditures, generally dropped in the United States by 28% in 1938. Yet chain store companies, in 1938, spent over $108,000,000 in modernizing their stores, which is but 13% less than their record-breaking peak figure of $125,000,000 in 1937. Who received this $108,000,000? Who but local carpenters, electricians, sources of supply, etc.?

8. De-centralization of retail trade.

9. Creation and improvement of store fixtures and equipment.

10. Improved methods of measuring potential demand at proposed store locations. This has served to keep store mortality at a minimum.

11. Creation of new trading centers; prestige of established chain store names attracts immediate trade.

And here is a final, typical example of what chain store creation means!

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8/20/30

Sears, Roebuck and Company recently analyzed production and distribution costs of various articles that it sells and published the results in a report entitled "A Study of Consumers' Goods Items, (1923 to 1938)".

One significant example from this Sears study features a 9x12 felt base rug that in 1927 sold for $8.25 and which, in 1937, was vended in Sears stores for $4.70. In analyzing "whys" and "wherefores", the report shows that the cost of the used raw material actually increased 15¢ per rug but that processing costs were decreased by Sears by $2.30 and distribution costs by $1.40 per rug. Chain Store: Boon or Bane? What do you think?

For further data, write the Institute of Distribution, Inc.

X.

IS IT
TRUE OR FALSE?

"They never guarantee a doctor bill for an unfortunate employee."

- o -

ANSWER: Not true! A survey of 138 chain store companies recently completed by the five associations serving chain stores and certified by Peat, Marwick, Mitchell and Company showed that 63 reporting companies have formal plans for assuring sick benefits for their employees; 112 have other well-established programs underwriting sick benefits. A total of 89 of these companies have group insurance covering life, accident and health. Not one reporting company was found in which provisions do not exist for assisting employees during illness and disability.

For further data, write the Institute of Distribution, Inc.

XI.

<u>IS IT</u>
<u>TRUE OR FALSE?</u>

"They take local privileges and opportunities that formerly enabled local citizens to assume local relief assistance and responsibility."

- o -

<u>ANSWER</u>: This is false. Impartial, independent investigations in 122 different communities demonstrate that average retail prices, for articles of identical quality, are lower in chain stores than in competing stores. Consumer savings in chain stores range from a fraction of 1% to as high as 24%, with a commonly-accepted average of about 10%. (See Institute of Distribution's "<u>Does the Consumer Save Money In Chain Stores</u>?") Thus, chain stores have multiplied the purchasing power of the nickels and dimes of local consumers; stimulated local employment; shortened local relief rolls and have generated local prosperity.

Chain stores have been of further noteworthy benefit to local communities. This fact is ably described by Ward Melville, President of the Melville Shoe Corp., and Chairman of the Board of the Institute of Distribution, Inc., in his talk before the annual meeting of the National Council of Shoe Retailers on January 4, 1939.

> "Few yet realize the full extent of the merchandising revolution which followed in the wake of the automobile, and still fewer realize that a strong counter-revolution started when the chain stores began to pull trade back to the smaller communities.
>
> "Many small cities and towns are live trading centers today because chain stores took modern merchandising to the people in those communities, instead of waiting for them to come to the larger centers. ***
>
> "We note that a bill which has been proposed in Congress, designed to tax interstate chains out of existence, is being called by some of its proponents a 'community preservation' bill.
>
> "No more complete misnomer could be possible. Destruction of the chains would also mean the destruction of many communities along with the payrolls and employment opportunities which the chains have created there.
>
> "Chain stores are now on many Main Streets, and it should not be forgotten that some of these Main Streets would today be less lively, or in eclipse, if it were not for the chains."

In its recent statement to its members on this subject, a leading consumers organization said:

> "---Before chain stores occupied an important place in the field of distribution, independent retailing was not a prosperous field of enterprise. The history of retailing is a history of low incomes, of failures, and of a high annual percentage of turnover."

Should chain stores be driven out of the small communities of America by destructive taxation, and should they be compelled to limit their operations to the largest trading centers, destruction of the business importance of thou-

sands of smaller local communities, coast-to-coast, will result. The sales of local merchants in these smaller communities will decline due to more out-of-town buying by their customers. Local retail prices must rise as the restraining influence afforded by active chain store competition is removed. How about the consumer under these circumstances? Who then will foot the staggering bills for local relief assistance and responsibility?

And in connection with local relief assistance and responsibility here's the brighter side as presented by the New England Council, (November 3, 1938, Boston, Mass. Globe):

> "Just 96 hours ago, the New England Council issued a statement, drastic and far reaching in its import, to every resident of the six New England States. Mincing no words, the Council pointed to the steady decline in New England industry and charged the New England people with responsibility for taking immediate steps toward rebuilding our prosperity. This challenge has been answered in practical terms of vigorous action.
>
> "Today marks the opening of a ten-day drive sponsored by New England's chain stores to promote the sale of New England products in thousands of retail outlets.
>
> "It is not surprising that, as an integral part of New England, the chain stores - which buy more than $355,000,000 worth of New England products each year and provide employment for 89,500 full and part-time New England workers - were the first to accept the council's timely challenge."

For further data, write the Institute of Distribution, Inc.

XII.

IS IT
TRUE OR FALSE?

"They never send an unnamed Christmas basket to a poor family."

-- o --

ANSWER: Untrue! Chain store executives and companies, as in the case of other high grade businessmen and businesses are not in the habit publicly of discussing the many purely personal donations that they make and the many private eleemosynary projects which they are happy to support, generously.

Respecting the privacy of such matters, no private company examples will be given to score this untrue charge.

It is fitting, however, to state that a private survey by the Institute of Distribution of 51 inter-state chain store companies shows that in the bulk of these companies local store managers have authority to make contributions of money and merchandise to the needy, and in the remaining companies such authority can quickly be obtained on managerial request of the central office.

Chain stores gladly, earnestly participate in public, cooperative, eleemosynary projects. A typical example is available in Marshall (Texas) where chain store companies not only contributed generously to the municipality's "Empty Stocking Party Fund" but also donated food, clothing, etc. thereto. The "News Messenger" said:

> "It was announced by store managers that in addition to the cash contributions, A & P and Safeway would contribute fruit, nuts and candy and that Penney, McLellan and Woolworth would contribute clothing and toys for the party to be held the morning of December 23 at the Paramount Theatre for the underprivileged children of Marshall and Harrison County."

For further data, write the Institute of Distribution, Inc.

XIII.

IS IT
TRUE OR FALSE?

"They never fail to beat down the prices of farm products."

- o -

ANSWER: This is false! And here typical farmers, themselves, answer the absurd charge:

George Ranson, Farmer, near Enid, Oklahoma:

> "I've watched chain stores work for a long time -- they cooperate with farmers 100%. The way they handle our Gold Spot milk, cream and butter is typical. They are mighty particular about quality and pay the going price or better to get it. Then, at their own expense, they advertise to increase consumption. This can't help but give producers a bigger market, and more money return, in the long run."

John Burns, Trustee and General Manager of the Estate of Burk Burnett, 6666 Cattle Ranches, near Fort Worth, Texas:

> "I'm for any outfit that pays the going price for farm products and, at no cost to the producers, keeps them flowing into consumption. Chain stores help to keep the beef industry on an even keel. They move meat in the most direct way - thereby save time and money for both producer and consumer."

Harold Foster, Poultryman, Secretary-Treasurer, Washington Egg and Poultry Association, McMillan, Washington:

> "Cooperation between producers and distributors is about the best thing that's happened to farming in my time. Look what Safeway and the other chains did for us egg men last fall and spring. Their Farmer-Consumer campaigns on eggs, I'm convinced, meant 2¢ to 3¢ more a dozen in cash money to the country's egg producers - not just during the drives, but all year. That fall campaign came when a huge oversupply was pushing egg prices down. The chain stores advertised people into eating more eggs and got us past the emergency. Going into the winter, prices were firmer."

James S. Sharp, Cottongrower, President, Texas Cotton Growers Association, Paris, Texas:

> "All of us farmers have one common problem - getting what we grow to the consumer at the lowest possible cost. To do that we must have a low cost production and efficient distribution. It seems to me that chain stores, by taking farm products direct from producer to consumer, do away with the needless waste and expense of the old-fashioned distribution method."

Within the past several months a substantial number of major national, state and local associations of farmers, growers and producers have applauded the benefits derived from chain stores and have lambasted anti-chain store legislation.

Among the hundreds of farm organizations that have formally resolved against anti-chain store legislation are the National Cooperative Council; the National Creamery and Buttermakers' Association; the National Woolgrowers' Association; the National Farmers Union Convention and many others of a similar size and type. Here for example is how the American Farm Bureau Federation resolved at its annual meeting, New Orleans, La., December 15, 1938:

> "We condemn discriminatory and punitive taxes of all types designed to favor or penalize a selected group. The enactment of such legislation results in further efforts by other groups to obtain special privileges. Such unnecessary taxes and restrictions have a damaging effect by increasing costs of distribution, increasing costs to consumers, reducing total consumption, and limiting production in agriculture as well as in industry. We oppose all such tax proposals."

Everyone knows the stature and prestige of the American Farm Bureau Federation as the spokesman for the farmers of the land. Would such an organization resolve formally against anti-chain store legislation if chain stores "beat down prices of farm products" as chain store critics charge?

For further data, write the Institute of Distribution, Inc.

XIV.

IS IT
TRUE OR FALSE?

"They are the first to arrive after a town is built and the first to leave when a town is overtaken by drought, cyclone, epidemic, or other unforeseen disaster."

- o -

ANSWER: Untrue! Chain stores are less likely to close than their competitors. As a case in point, John N. Rebori, in a thesis submitted for the degree of Master of Arts at the University of Tennessee in 1937, entitled "Business Mortality of Retail Grocery Stores in Knoxville, Tenn., 1924 - 1935", shows that only 5.5% of the independent grocery stores in Knoxville remain in business 10 years or longer, while, for local chain stores in Knoxville, the corresponding percentage is 24.4%, and for the stores of national chain store companies in Knoxville, the percentage in business after 10 years is 31.5%.

And in a recent survey of 138 representative chain store companies, operating over 33,000 units and having sales of over $3\frac{1}{2}$ billion dollars, over 4% of the store managers of reporting companies have been located in the same city 25 years or over; 23% from 10 to 25 years; 25% from 5 to 10 years. Thus more than 50% of managers surveyed have been in charge of stores, in the same city, 5 or more years.

Now let's consider what specifically happens in chain stores when disaster befalls a community in which they are located. The following is a typical experience.

New England in the Autumn of 1938 was ravaged by a hurricane. Apple growers throughout New England, for example, found their orchards severely damaged by storm with apples blown to the ground. Since apples will not keep for an extended period, growers, consequently, were faced with the necessity of immediate marketing or disastrous loss.

Did chain stores leave hurricane-ravaged New England? Definitely not! Their stores were not only immediately renovated, reconstructed, etc. for service to harassed New Englanders but such stores took active leadership in relief work.

And insofar as the apple growers emergency is concerned, First National Stores, Inc. posted emergency banners in every store window urging all customers to eat "two apples a day" - "not out of pity for growers but because here was an emergency where they could help and by so doing could serve themselves with health".

Store managers were instructed, furthermore, not only to feature apples prominently and effectively but also to order, frequently, in order to save spoilage.

Other companies participated 100% in this practical,emergency New England project.

Finally, for your information, here is a copy of a typical First National Stores, Inc. advertisement in connection with the New England apple emergency:

"With one arm broken fighting the hurricane, a New England apple grower is working heroically day and night to salvage what he can from the terrible wreckage made of his entire means of livelihood. In his orchard of 2,500 trees over a thousand are a twisted mass. The roof was blown from his storage shed. His home and his farm buildings are badly damaged.

"He is only one of the individual growers in our New England apple industry facing the ruin of the storm. These men are not asking pity. They are meeting their disaster with incredible courage and with true New England resourcefulness.

"Except for the comparatively small crop harvested before the storm, the New England apple crop is on the ground -- four to five million boxes. Orchardists are working frantically to get this fine fruit picked up and on the market. These apples, however, cannot be stored, so that the normal orderly marketing is impossible. They must be consumed within a comparatively brief space of time.

"This emergency calls for your help. Buy native apples now and during the coming days and weeks. Use apples liberally. Eat TWO apples a day. Baked, in pies, in sauces and in countless other ways use apples; turn this emergency to your health and advantage.

"We are cooperating with the New England Farmer. We ask you to help. Your neighbor apple grower isn't asking for pity. He's got apples to sell. Buy them!"

For further data, write the Institute of Distribution, Inc.

XV.

IS IT
TRUE OR FALSE?

"They charge different prices in different cities in the same state (and even in the same city) depending upon competition from the independent merchant across the street who is marked as the next victim."

- o -

ANSWER: False! In the Federal Trade Commission chain store inquiry, a comparison was made by F.T.C. field agents between the retail selling prices reported by the headquarters of 6 food chains in Detroit, Memphis and Washington, D. C., and the prices actually charged in the retail stores of these chains in these cities. (Reference source: "Chain Store Price Policy", Senate Document No. 85, 73rd Congress, 2nd Session, p. 59f.) Here are the results:

Total number of quotations obtained in stores - 82,213 (represents 100.0%).

Total number of quotations found to be:

(a) the same as prices specified by chain headquarters	73,653 -	89.6%
(b) above by 1¢ or less	1,822 -	2.2%
(c) below by 1¢ or less	2,526 -	3.1%
(d) above by more than 5¢	133 -	0.2%
(e) below by more than 5¢	140 -	0.2%

For further data, write the Institute of Distribution, Inc.

XVI.

IS IT
TRUE OR FALSE?

"They owe their growth to chiseling, cheating, racketeering methods, wrecking others to build themselves."

- o -

ANSWER: Not true! And here, to demonstrate, are a few first hand opinions of men who know:

"The success of our little business here has been phenomenal and we believe it is a result of the business we have obtained through our good chain store customers. We have at the present time twice as many employees as we had in 1928 -- about one hundred and fifty employees. We are able to produce cheaply and pay our help slightly above the average wage because of the steady volume of business we receive from the variety syndicates. An average of $3,500.00 a week pours into this little town. We are sold on the economies of wide distribution and low prices which help everyone."

- o -

"We are a small toy factory that started in business in the spring of 1933, and tried to distribute through jobbers and individual department stores. The cost of selling in this way, and the small amount of goods we sold necessitated such a high retail selling price for our products, that we did not do enough business to continue operations. We are now concentrating our efforts on chain store accounts, and whereas we used to employ 25 people in season, we now employ upwards of 100, and our busy seasons are three times as long."

- o -

"*** From nature of our business, I am closely acquainted with the problems of the large chain stores, the small chains, the large wholesalers or jobbers, the group buyers of small stores and the small stores themselves. I do not see that any of them are suffering as a class, although there are, of course, different degrees of success and failure, according to the individual management's aggressiveness, etc."

- o -

"The most startling thing in the whole picture of business changes in the last twenty years, is the tremendous improvement from every standpoint with the consumer decidedly getting the big end of things, as it is entirely proper that he should.

"For example, our records show that during the four years of 1924 to 1928 inclusive, the retail price on our principal product was 60 cents and at that time this price was about half the ordinary charge for attaching while ours attach themselves. During that period our principal sales were

direct to the small dealers and we advertised liberally in such magazines as * * * etc., yet the average number sold per year was less than half a million.

"In 1929 the product got into one of the large chain stores, with the price reduced by volume to 25 cents retail, which later, with still greater volume, has come down to 10 cents.

"The result to the consumer is that this last year some 16,000,000 people get the benefit of a lower cost on our product, better health, etc., as compared to only half a million when they were offered only through individual retail stores.

"The total business done in dollars by even the smallest retail store has tripled or quadrupled, as has likewise the number of people employed by the factories who are making them."

- o -

The following dispatch that appeared in the New York (N.Y.) Daily News Record, February 1, 1939 demonstrates the substantial local importance of the purchases made by chain store companies:

"One of the largest orders placed recently with a local manufacturing concern was one by the W. T. Grant Co. for $780,000 worth of silk hosiery * * *. This order is in addition to a preceding order which brings the total so far in 1939 to $925,000.

"From this knitting mill in Charlotte, the Grant Company purchased, in 1938, silk hosiery to the amount of $1,600,000. And during the year 1938, the Grant Company bought more than 5 million dollars worth of hosiery from North Carolina manufacturers, including full-fashioned and seamless silk, cotton hose and anklets, it is said."

Is it "wrecking others to build themselves" for chain stores to give local orders that keep a factory profitably busy, "year round", and to give stable, gainful employment to a score of local workers, 52 weeks a year?

For further data, write the Institute of Distribution, Inc.

XVII.

IS IT
TRUE OR FALSE?

"They never operate in a distressed community."

- o -

ANSWER: Untrue! Following are excerpts on this subject from an article by Warren Tucker, prominent Oakland real estate man:

> "Practically all owners of real property prefer chain store tenants over independent tenants ... chain stores pay their rents promptly, which does not entail the collection expense of rentals from the average independent tenant.
>
> "Chain store tenants are advantageous to property because they advertise more heavily than the average independent tenant. This brings more people to the location in which the store is situated, and we know that the more people drawn to a particular location, the greater the property and rental value of this and adjacent stores...
>
> "During this period of declining real estate values, the chain stores, in many cases, had long leases based upon the scale of rents accepted during the late 1920's. The chains lived up to the terms of these leases and paid rents which were higher than rentals paid by other tenants for comparable properties. As chain store leases gradually expired, chain store rents were adjusted to the going rent at the time. However, this adjustment of rentals was gradual and provided a cushion which allowed property owners time to make their own readjustments.
>
> "Without gradual readjustment, real property values could have broken as violently as stock and market values did in 1929. This would have immediately thrown the great majority of business property into foreclosure. I, personally, believe that chain store tenancies did more than we have ever realized to prevent a complete collapse of realty values."

XVIII.

IS IT
TRUE OR FALSE?

"They never render temporary assistance in the form of credit to any citizen."

- o -

ANSWER: This is false! In lines of merchandise in which credit service has come to be regarded as desirable or necessary, chain stores are to be found in the forefront in providing this service. This is well illustrated in the Federal Trade Commission's investigation of the service features of chain stores. (Reference Source: "Service Features in Chain Stores", Senate Document No. 91, 73rd Congress, 2nd Session, pp. 4, 11.)

Kind of Chain Stores	Proportion of Stores Selling Exclusively for Cash	Proportion of Credit Sales to All Sales of Both Cash and Credit Chains
Furniture	None	85.2%
Department Stores	1.1%	36.1%
Hardware	8.5%	50.2%
Men's & Women's Apparel	10.6%	65.0%
General Merchandise	32.9%	38.4%
Millinery	39.4%	23.4%
Women's Shoes	46.9%	17.2%
Men's Apparel	56.3%	17.8%
Women's Apparel	57.6%	28.9%
Drug	65.7%	2.8%
Grocery	86.4%	4.1%
Grocery and Meat	96.1%	1.2%

For further data, write the Institute of Distribution, Inc.

XIX.

<u>IS IT</u>
<u>TRUE OR FALSE?</u>

"They never pay their just and fair share of taxes in proportion to their volume of business."

- o -

<u>ANSWER</u>: Not true! Chain stores neither can, nor wish to, avoid paying taxes. They are subject to taxation just as any other class of merchants.

Due to the fact that chain stores rent units that are usually in choice locations, they <u>indirectly</u> pay higher taxes through higher rent schedules.

On the other hand, if a chain store company <u>owns</u> its place of business, and many of them do, then, naturally, it must pay taxes by the <u>direct</u> method, just as do other merchants who own business property.

A few of the taxes now paid by chain stores include ... 1) state and municipal license, 2) occupational, excise and sales taxes, 3) real estate and improvement taxes, 4) personal property taxes, 5) corporation income taxes, 6) capital stock taxes, 7) excess profit taxes, 8) corporation franchise taxes, 9) unemployment and old age pension taxes to say nothing, of course, about the substantial payments that they make for other types of <u>Federal</u> tax levies.

And, if they operate in any of the 22 states wherein discriminatory chain store tax statutes are now operative, chain store companies must also add discriminatory, punitive state taxes to the foregoing, already long list.

All of the aforementioned taxes are, naturally, <u>additional</u> to the taxes paid by landlords on property rented to chain stores ... and which are, in turn, included by property owners in the rentals that are charged to chain stores for the privilege of occupying such store locations.

You may be sure that a chain store company is now paying every tax a corporation, or a store itself, can be called upon <u>directly</u> to pay into government coffers.

<u>And, by way of example, this amounts to nearly 200 different taxes in the case of but one typical company</u>.

- o -

Furthermore, the corporate form of organization is used by nearly all chain store companies, while most of the independent stores are operated by individuals or partnerships. Chain stores are, therefore, subject to Federal and state taxes on corporations, while their independent competitors do not have to pay this type of tax. The comparative Federal income taxes paid by corporations and by individuals on a per-store basis are as follows:

A. Based on a $2,400 income, the corporation pays $204 ... while the individual (if head of a family) pays nothing.

B. Based on a $7,500 income, the corporation pays $765 ... while an individual (if head of a family) pays but $200. If he has neither wife nor children, his income tax aggregates $320.

C. Based on a $15,000 income, the corporation pays $1,590 ... while the individual who is head of a family, pays only $1,160. If he has neither wife nor children, he pays $1,525 to the Federal Government as income tax.

While Federal, state and local taxes in most types of individually-owned stores average less than 1% of sales, such taxes in the chain store companies that reported in a recent 138 company survey in this connection averaged 2.94% of sales. These companies paid the impressive sum of $3108 per store and $215 per employee in taxes not including the substantial additional taxes that they indirectly paid through rentals.

And here is a table predicated on impartial, independent certified surveys showing comparisons of average taxes paid by chain and independent stores at specific points.

MUNICIPALITY	TAX PER 1000 SQUARE FEET OF STORE SPACE	
	INDEPENDENT	CHAIN
Glendale, Calif.	$191	$192
Marysville, "	105	113
Modesto, "	73	77
Pomona, "	108	111
Santa Rosa, "	158	176
Visalia, "	162	130
Colorado Springs, Colo.	253	274
Fort Collins, "	227	229
Grand Junction, "	255	273
Pueblo, "	333	341
Sterling, "	113	152
Trinidad, "	253	291
Cedar Rapids, Iowa	59*	191*
Des Moines, "	67*	346*
Sioux City, "	61*	186*
Dallas, Texas	103	125
El Paso, "	73	110
Houston, "	97	132
San Antonio, Texas	142	164
Texarkana, "	75	106
Bellingham, Wash.	124	176
Everett, "	86	105
Mt. Vernon, "	140	147
Olympia, "	152	168
Seattle, "	106	144
Spokane, "	83	114
Tacoma, "	67	128
Wenatchee, "	80	86
Walla Walla, "	102	102
Yakima, "	118	145

* Average tax per store on personal property computed from 1937 combined tax rates on personal property for state, county, city and schools.

- o -

And as finale on this subject, the 1937 retail survey of 1,051 individually-owned grocery and meat stores published by Dun and Bradstreet shows these stores to have paid 0.3% of their sales for taxes and that their profits were 2.1% of their sales. Thus, the taxes paid by these 1,051 individually-owned grocery and meat stores were 1/7 of the amount of the profits earned in these stores. On the other hand, in 30 chain store companies operating a total of 16,175 grocery and meat stores, profits instead of being 7 times as large as taxes paid, were actually only 2/3 as much as the amount of taxes that were paid by these companies. Net profits totalled $11,601,645 or 1.12% of sales while taxes totalled $17,538,002 or 1.70% of sales.

Similar results are shown for drug stores in the 1937 retail survey of Dun and Bradstreet. Taxes paid totalled 0.9% of the sales of the 934 individually-owned drug stores surveyed while profits earned were 3.0% or more than 3 times as much as the taxes paid. On the other hand, a group of 13 chain drug store companies, operating a total of 1,039 stores, reported tax payments of $4,410,781 or 3.19% of their sales while their profits were only $4,984,812 or 3.61% of their sales.

- o -

ADDENDUM

As we go to press, additional evidence has just arrived, and is presented below:

During the summer of 1938, the Indiana University school of business administration, under the direction of Dr. Howard M. Haas, conducted the first of a proposed series of tax surveys among the food and drug retail outlets in Indiana. Here are some significant findings:

The survey found that the total amount of the 1% gross income tax paid by all Indiana retailers was $8,242,329. Of this amount the payments by chain store companies were $2,750,000 or 33% of the total paid by all retailers. (Chain store sales in Indiana, according to the United States Census of Business for 1935, were only 24.3% of all retail sales.) The higher proportion of gross income tax payments by chain stores results from the smaller exemptions obtained by this class of taxpayers.

A chain of 50 Indiana stores, furthermore, pays $4,968.00 in store license fees, an average of $99.36 per store. The gross income tax exemption for the first $3,000 of gross income amounts to $30 for the chain or an average of 60¢ for each store. An individually-owned store in competition with one of the stores of this chain of 50 Indiana stores, pays a store license fee of $3.50 and receives a gross income tax exemption of $30. The individual store, therefore, has an advantage in store license fees of $95.86 and an advantage in gross income tax exemption of $29.40, a total of $125.26. This advantage is equal to the gross income tax on $12,526 of retail sales. Since the average sales volume of individually-owned stores in Indiana is shown by this study to be about $12,000 a year, the advantage that typical Indiana retailers have over competing chain stores on these two taxes alone amounts to 1% of their sales.

Compared with the cost per store of these taxes in a chain of 100 Indiana stores, the advantage in favor of competing individually-owned stores is $150.88.

If two and two still makes four, is the charge that chain stores "never pay their just and fair share of taxes in proportion to their volume of business", true or false? There is, naturally, but one answer! False!

For further data, write the Institute of Distribution, Inc.

XX.

IS IT
TRUE OR FALSE?

"They have never raised the standard of living in any community."

- o -

ANSWER: Untrue! Aside from the fact that the advent and growth of the chain store has brought better food; better clothing; more convenience; better service; more luxuries; etc. to the local "masses" that heretofore were restricted to a fortunate "few", every investigation that has been made of comparative prices in chain and independent stores shows chain store prices to be from 2% to 24% or more lower, thereby permitting chain store customers to get more for their money.

Even persons who do not patronize chain stores have benefitted from the competition provided by chain stores because this competition has held in check, prices of other stores. Savings in chains permit consumers to expend these savings elsewhere, at the jeweler, movie, for insurance, etc., thereby benefitting other local businesses and businessmen, thus furthering local prosperity; thereby stimulating national business recovery.

It is estimated that chain stores gainfully employ over a million residents of local communities. In a recent survey of 138 representative chain store companies, for example, it was found that reporting companies, alone, gainfully employ 406,226 local residents as store employees, or an average of over 12 employees per store. With headquarters and warehouse employees added, the total becomes 476,567.

Wages paid to local employees of chain stores are higher than those paid in competing independent stores. The Census of American Business for 1933, the latest available, shows that the average annual earnings of full-time employees in chain stores were $1079, which is 14% higher than the $947 average for the employees of individually-owned stores.

As one specific example among many on this subject, a city manager of a representative community, in an interview with independent investigators, recently stated that the coming of chain stores in the variety, general merchandise and food fields of his town not only held in that town trade that formerly went to a city 30 miles away but also had attracted to his town, retail trade from outside that otherwise would also have gone to that 30 mile away city. He held that the coming of chain stores to his town had multiplied the purchasing power of local consumers and had also substantially raised their standard of living.

The impressions of this municipal official are confirmed by interviews held by independent, impartial investigators with 530 families in that same town. Of these 530 families, 488 now purchase clothing in town and 458, notions. A total of 391 of these families consider chain stores to be a boon to the town and only 14 not so. The rest of the families interviewed had no positive feelings one way or the other.

Similar results attended impartial surveys made in numerous other communities, notably Newburgh, N.Y.; Lima, Ohio; Keene, N. H. and other localities.

For further data, write the Institute of Distribution, Inc.

XXI.

IS IT
TRUE OR FALSE?

"Absentee control of business is a detriment to the future welfare of all classes and there is no class or group that escapes its detrimental effect upon our economic life."

- o -

ANSWER: False! There can be no mechanization of the business of retailing to the extent that it can exist, for example, in mass production. The sale of merchandise in a retail store is an individual and personal transaction between the customer and the salesperson. Absentee control cannot be exerted successfully over the myriad of individual and personal transactions which are fundamental in the operation of retail stores.

While there is some centralization of administrative activities in chain stores, just as there is in individually-owned department stores and other large retail stores, the selling activities of the store are not subject, in any important degree, to centralized control. Because of these fundamental and inescapable characteristics of retail selling, it is obvious that most of the control of a retail store must be local rather than absentee. That is why in the Federal Wage and Hour Law, all stores of all retailers are considered "intra-state" and all store employees are therefore exempted from the Act's provisions.

- o -

The United States Census of Business for 1935 shows that the headquarters of chain store companies are to be found in every state and, therefore, that each state receives whatever benefit there is in having in that state the home offices of chain store companies. (Reference source: "Retail Chains", Table 7, p. 16).

Home Office State	Number of Chains	Home Office State	Number of Chains
Alabama	51	Michigan	241
Arizona	15	Minnesota	155
Arkansas	48	Mississippi	29
California	484	Missouri	264
Colorado	56	Montana	22
Connecticut	75	Nebraska	70
Delaware	5	Nevada	3
Dist. of Columbia	36	New Hampshire	15
Florida	70	New Jersey	129
Georgia	97	New Mexico	12
Idaho	24	New York	841
Illinois	493	North Carolina	83
Indiana	132	North Dakota	17
Iowa	137	Ohio	400
Kansas	109	Oklahoma	99
Kentucky	61	Oregon	60
Louisiana	71	Pennsylvania	390
Maine	32	Rhode Island	21
Maryland	65	South Carolina	39
Massachusetts	277	South Dakota	21

Home Office State	Number of Chains	Home Office State	Number of Chains
Tennessee	98	Washington	84
Texas	302	West Virginia	66
Utah	39	Wisconsin	149
Vermont	11	Wyoming	11
Virginia	70		

U. S. Total
6,079

	# of Chain Store Company Headquarters	% of Total # of Chain Store Companies	% of Total U.S. Retail Trade of all Stores, Chain and Independent, in Each Geographic Section of the Country
New England States	431	7.1%	8.2%
Middle Atlantic	1360	22.4%	25.5%
East North Central	1415	23.3%	21.6%
West North Central	773	12.7%	10.6%
South Atlantic	531	8.7%	10.0%
East South Central	239	3.9%	4.2%
West South Central	520	8.6%	7.0%
Mountain	182	3.0%	3.3%
Pacific	628	10.3%	9.6%
TOTAL	6079	100.0%	100.0%

There is no concentration of the headquarters of chain store companies in any one section of the country.

The distribution of the headquarters of chain store companies parallels, with striking similarity, the distribution of all retail trade in the United States, as shown by the foregoing tabulation from the U. S. Census of Business for 1935.

For further data, write the Institute of Distribution, Inc.

XXII.

IS IT
TRUE OR FALSE?

> "Net profits from farms, mines, or business is the only means of building towns, cities and states. These net profits (under the chain system) fly overnight to New York."

- o -

ANSWER: Not true! Even if it were true that every dollar of chain store profits were sent out of town, there would be a net gain for the local community from the presence there of chain stores for, naturally, any type of enterprise which permits people to have more wanted goods at an average of 10% less in cost is of significant benefit to these people. And when the sizeable amounts that are expended by chain stores, locally, for wages, insurance, freight and trucking, maintenance, etc. are added to the foregoing savings, the contribution of chain stores in the upbuilding of local communities substantially overshadows the minute profits that may leave town.

Let's now examine authoritative data on what actually happens to the money expended by consumers in chain stores.

A survey was recently conducted of 138 representative chain store companies. The central headquarters of these companies are scattered all over America. They operate over 33,000 units coast-to-coast, and have annual sales of over $3\frac{1}{2}$ billion dollars. The survey was checked and certified by the nationally-known public accountants, Peat, Marwick, Mitchell and Company.

In reporting companies, here is how their major sales expenditures average:

3.59% of sales goes to pay rentals on store and such other properties as warehouses, etc. Naturally this huge amount is paid to many thousands of local property owners, from coast-to-coast. Average rentals total $3,784 per store - certainly an impressive figure.

14.75% of sales goes to pay the wages, etc. of a multitude of local residents who are employed by these companies in stores, warehouses, offices, etc.

1.29% of sales goes to pay Federal taxes.

1.65% of sales goes to pay state and local taxes; the combined tax figures represent an average of $3,108 per store in federal, state and local taxes and $215 per employee for all such taxes.

69.12% of sales goes to pay for merchandise and supplies purchased, as in the case of competitors, from the great local markets, coast-to-coast.

1.64% of sales goes for advertising of all types including newspaper, radio and for the local purchase of stuffers, handbills, etc.

0.08% of sales goes for civic memberships and donations to local welfare enterprises which reach the top-flight average of $90 per store.

Of the remaining, miscellaneous average balance, only 4.65% of sales represents net profits. And this slim average amount is left to chains not for hoarding but to cover their investments; for reinvestment in new store buildings in local communities to community benefit; for improvements in existing store properties; to finance investigations of product improvements in order to enhance merchandise standards and effect production and marketing economies; to provide a fund for rainy days; to give them a margin of operating safety and, finally to provide them with a profit as their reward for successful business operation.

And who, finally, gets this reward? Who but stockholders? And who are these stockholders?

Reporting companies, as shown elsewhere, had over 50,000,000 shares of common stock outstanding, 22% of which is held by company officers and employees, 64% by people in all walks of life and only about 14% by bankers, insurance companies, etc. Of 3,075,018 shares of outstanding preferred stock, about 25% is held by company officers and employees; 65% by people, coast-to-coast, in all walks of life and only about 10% by bankers, insurance companies, etc.

These companies have 360,948 stockholders; 314,822 hold common stock; 46,126 own preferred stock. These shareholders reside in widely scattered communities throughout America. There are 24 common stockholders per 10,000 population; there are about 4 preferred stockholders per 10,000 population. The 10 largest holders of common stock and the 10 largest holders of preferred stock in reporting companies live in 237 cities in 42 different states.

Since stockholders received in dividends over 80% of the comparatively slim net profits of reporting companies, it is manifest that the laborers, widows, bookkeepers, etc. from the Atlantic Ocean to the Pacific, who as principal stockholders of reporting companies really own them, received the bulk of company earnings.

67% of the Board members of reporting companies are active company officers or employees; only 7% are bankers, brokers or investment underwriters; the balance are people in all walks of life.

In 82% of surveyed companies, 100% of their Board members reside in states in which companies operate. More than 85% of company directors live outside New York City. Among the food chain store companies, more directors were found to reside in Houston, Texas than in any other city. Among the chain drug store companies, the total of directors for 6 other cities was greater than the number of directors residing in New York City. And as many drug store directors were found to live in Washington, Fort Wayne, Baltimore and Pittsburgh as in New York City.

For further data, write the Institute of Distribution, Inc.

XXIII.

IS IT
TRUE OR FALSE?

"Every dollar (that is taken from your state or mine in net profits) is a loss of many times that one dollar in buying power to local residents."

- o -

ANSWER: Untrue! No community in the United States is self-sustaining. Every American community depends for maintenance and growth on its ability to vend, profitably, that part of its production that is in excess of local needs in exchange for similar excesses in other sections of the country.

New England shoes are bought with money earned by California oranges. Michigan automobiles are paid for by Texas cattle. Louisiana sugar buys Minnesota flour.

Texas, for example, cannot consume all the petroleum that is produced within its boundaries. Consequently, its surplus is exchanged for food products, clothing and machinery produced in other sections of the country. Without this market outside the state of Texas, the buying power of many thousands of Texas residents would be far less than at present.

Accordingly, some local money must leave town if that town is to be thriving and prosperous. This is the case insofar as all town businesses are concerned, retailing included. In retailing, this condition obtains both insofar as chain and individually-owned stores are concerned.

Well known John T. Flynn analyzes this charge as follows:

"Consider," he says, "for example, how the town's money goes for a can of soup. The customer buys a can for ten cents at an independent store. What now becomes of this ten cents? Does the grocer keep it and spend it in town? He most certainly does not. He keeps two cents of it for himself and sends the other eight cents to the wholesaler. If the wholesaler happens to have his office in the town itself, half a cent will remain there, but the rest will go out of town to the manufacturer. Thus, out of the consumer's ten cents, only two and a half cents remain in town. If the wholesaler is an out-of-town merchant, then the whole eight cents leaves the vicinity. In the first case, the two and a half cents kept by the local wholesaler and retailer will be distributed by them in rent, salaries, delivery, interest, light, taxes and other expenses and profit. It will for the most part remain in the town.

"Now, suppose that the customer takes his ten cents to a chain store. He will pay eight cents to the chain store for his can of soup and keep two cents himself. This two cents will remain in town, where it will be spent by the consumer, just as it would be if the customer had given the ten cents to a local grocer who purchased his goods from an out-of-town wholesaler. The only difference is that the customer has the two cents instead of the grocer. But what becomes of the eight cents paid to the chain stores? Does it all go out of town? Of course not. A percentage of it must remain there to cover such local expenses as rent, salaries, taxes, light, etc. This portion amounts to 10 or 11 percent, Accepting the lower figure, we find that of eight cents collected by the chain store, seven and two-tenths cents go out of town to the central office. Of the ten cents collected by the independent grocer, at least seven and five-tenths go out of town."

The absurdity of the charge that profits earned in chain stores are a drain upon the resources of local communities is further demonstrated when the average profits earned in local stores and their ultimate distribution (see Charge XXII) are compared with the average amount of money that chain store companies were, in a recent survey of 138 representative chain store companies, found, to keep on deposit in local banks.

19,085 local store bank accounts, as previously reported, are maintained by reporting companies to safeguard over $58,000,000, in local deposits representing an average of over $3000 per account. In addition, reporting companies maintained 821 other bank accounts, to safeguard over $96,000,000 in deposits, representing an average of over $115,000 per account.

Now let's get down to even more specific cases:

The average bank balance in these local accounts of reporting chain food store companies was $1808 and there was an average of one local bank account to about 2.40 stores. The average bank balance per store in these local accounts was, therefore, $753. The average annual profits obtained in these reporting chain food stores was $717 ... or less than the amount kept constantly on deposit, locally.

For reporting chain drug store companies, the average bank balance was $6415 and there was one local bank account to 1.69 stores or an average local balance per store of $3796. The average profits of chain drug store companies were $4798 per store, per year. Thus, the amount of money kept on deposit, locally, was equal to more than nine months' profits earned per store.

For further data, write the Institute of Distribution, Inc.

XXIV.

IS IT
TRUE OR FALSE?

"Net profits remaining in the community and deposited in the local bank circulate many times a year among local citizens."

- o -

ANSWER: This is false! Only a small proportion of the deposits in any bank are kept on hand in cash. Nearly all of the money deposited in banks is, in turn, promptly expended by the bank for Government bonds, for corporation notes and for other investments which are readily marketable. That's the way the bank lives and how it prospers.

The assumption, furthermore, that profits earned locally by local residents are invariably and completely invested in local enterprises is belied by the widespread local ownership of bonds and other obligations of the Federal Government, stock and bonds of railroads, public utilities and other corporations.

DISTRIBUTION OF ASSETS OF ACTIVE BANKS, 1936
Source:
Comptroller of the Currency,
U. S. Treasury Department

Cash in Vault	$ 1,018,951,000 or	1.52%
Cash Balances with Other Banks	14,103,430,000	20.98%
U. S. Securities, Direct Obligations	14,840,174,000	22.08%
Securities Fully Guaranteed by U. S. Government	2,518,026,000	3.74%
Loans and Discounts	20,839,159,000	31.01%
Other Investments	10,501,333,000	15.64%
Miscellaneous Assets	3,377,508,000	5.03%
Total Assets	$67,198,581,000	100.00%

For further data, write the Institute of Distribution, Inc.

XXV.

IS IT
TRUE OR FALSE?

"More than 15 officials of one large national corporate chain each receive more than $100,000 a year. Would it not be better for these privileges and opportunities to be widely distributed and have a larger number receive the aggregate amount of salaries paid to these 15?"

- o -

ANSWER: When an individual obtains employment with a chain store company, the employer assumes the obligation of directing the activities of this employee and of paying him a salary commensurate with the type and extent of services rendered. If the employer fails effectively to direct the work of his employee, the organization fails and the employee is out of work.

If all of the cost of this executive direction of employees' activities were eliminated and the money so "saved" were paid to the individual employees in equal amounts, the effect would be to raise the hourly wage rates of these employees less than 2%. An employee receiving 50¢ an hour, for example, would have his wages raised to a fraction of a cent under 51¢ an hour.

Actually, however, no such thing could happen because without the skilled and expert direction of employers, there would be no opportunity for employees to earn any wages at all for there would then be no business to pay them.

Now let's get down to cases insofar as the remuneration of chain store executives is concerned.

In a survey of 138 representative chain store companies certified by Peat, Marwick, Mitchell & Co. on January 9, 1939, it was found that the total amount of salaries paid in 1937 to officers and executives by reporting companies was 0.56% of the sales of these companies. The earnings of these officers and executives were only 4.13% of the total payroll of reporting companies. In only one of the reporting companies did salaries of officers and executives exceed 30% of the total payroll and in this one company the percentage was less than 35%.

Below a self explanatory table presenting the distribution of aggregate salaries and bonuses paid in 1937, to their 1,576 officers and executives by reporting companies.

Salary Group	No. of Officers & Executives	% of Total No.
From $ 5,000 to $10,000	1,016	64.47%
From $ 10,000 to $15,000	252	15.99
From $ 15,000 to $25,000	174	11.04
From $ 25,000 to $35,000	79	5.01
From $ 35,000 to $50,000	37	2.35
From $ 50,000 to $75,000	11	.70
From $ 75,000 to $100,000	7	.44
Over $100,000	--	--
Total	1,576	100.00%

A survey of the earnings of local store managers in reporting companies showed 1,310 of these managers to have earned in 1937 over $5,000 a year each. This is a clear and definite demonstration of the opportunities for interesting and profitable local employment in chain store companies.

Salary Group	No. Of Managers	% of Total
From $ 5,000 to $10,000	1,036	79.08%
From $10,000 to $15,000	195	14.89
From $15,000 to $25,000	69	5.27
Over $25,000	10	.76
Total	1,310	100.00%

For further data, write the Institute of Distribution, Inc.